

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the General Government Appropriations Committee

BILL: SB 432

INTRODUCER: Senator Bennett

SUBJECT: Artificial Reefs/Placement of Vessels

DATE: April 22, 2008

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Bascom	Kiger	EP	Favorable
2.	Molloy	Yeatman	CA	Favorable
3.	DeLoach	DeLoach	GA	Favorable
4.				
5.				
6.				

I. Summary:

This bill authorizes the Fish and Wildlife Conservation Commission (FWC) to plan and develop a statewide matching grant program, to be known as the Florida Ships-2-Reefs program, to secure and place U.S. Maritime Administration (MARAD) and U.S. Navy decommissioned vessels in state or federal waters as artificial reefs. Annual reporting requirements are provided.

The bill does not provide an appropriation to support the matching grant program.

The bill substantially amends section 370.25, Florida Statutes.

The bill creates section 370.255, Florida Statutes.

II. Present Situation:

On occasion, the U.S. Navy has used unneeded ships as targets for military exercises known as SINKEX, or sinking exercises. These obsolete vessels may now serve as artificial reefs, which help to promote marine life and fishing and relieve pressures on natural coral reefs. The Navy's objective by seeking this program was to reduce the size of the inactive ships inventory in a cost-effective and environmentally sound manner.

Prior to 2003, the Navy disposed of its non-combatant ships through the U.S. Maritime Administration (MARAD), which is the government's disposal agent for merchant type vessels of 1,500 gross tons or more. MARAD has had statutory authority since 1972 to donate obsolete vessels to states for sinking as artificial reefs. The Naval Sea Systems Command (NAVSEA) has

worked with MARAD to develop a common process for the donation of “federal” ships for artificial reefing.¹

On November 25, 2003, President Bush signed the National Defense Authorization Bill, HR 1588. Section 1013 of that bill provided that the Secretary of the Navy may transfer, by gift or otherwise, any vessel stricken from the Naval Vessel Register to any State, Commonwealth, or possession of the United States or any municipal corporation or political subdivision thereof for use as an artificial reef. It further provided for the Navy to be able to share with the recipient any costs associated with transferring the vessel, including costs of the preparation of the vessel.

The first warship offered for donation under this new program by the Navy for sinking as an artificial reef was the *Oriskany*. The 888-foot *Oriskany*, (also known as the *Mighty O*), the last Essex-class aircraft carrier in the fleet’s inactive ship inventory, served the Navy for more than 25 years during the Korean War and the Vietnam conflict. The vessel was also used as a set in the 1955 movie *The Bridges at Toko-Ri*. The ship was decommissioned in September 1976.

The *Oriskany* was successfully reefed on May 17, 2006, 24 miles southeast of Pensacola Pass, and became the world’s largest artificial reef. This was the first time the Navy used the EPA National Guidance for Preparing Vessels to Create Artificial Reef Habitat² and the first time the Navy was seeking, for the reefing of the vessel, a risk-based disposal approval under 40 C.F.R. 761.62(c).

On February 13, 2007, MARAD issued a press release announcing that the *General Hoyt S. Vandenberg*, a troop carrier and missile-tracking ship of WWII and the Cold War, would become an artificial reef off Key West, FL. (It was also featured in a Universal Pictures science-fiction film *Virus* in 2000.) The 63-year old, 523-foot vessel will be turned into an artificial reef in early 2008. The approval cleared the way for the ship to be cleaned and sunk for a reef³. Funding for the project is provided by several local government and private-sector sources including the City of Key West and the Monroe County Tourist Development Council. The proposed sinking date for this vessel is anticipated to be May 15, 2008⁴.

Section 370.25, F.S., provides that the FWC is authorized to accept donations of military vessels. Also, the FWC is authorized to accept title, on behalf of the state, to vessels for use in the artificial reef program as offshore artificial reefs. The program may be funded from state, federal, and private contributions. This section also authorizes the commission to adopt rules establishing criteria for siting, constructing, managing, and evaluating the effectiveness of artificial reefs placed in state or adjacent federal waters, and the criteria for transferring the vessel titles to the state for offshore artificial reef deployment. The FWC is required to track all artificial reef development activities statewide, and maintain a database of these activities for the public interest and to facilitate long-range planning and coordination.

The FWC, in cooperation with Escambia County, was instrumental in the reefing of the *Oriskany*. The preparation and sinking costs of approximately \$21 million were mostly funded

¹ *ex-USS Oriskany to Serve as Artificial Reef*, Navy Newstand, 2/9/2004.

² www.epa.gov/owow/oceans/habitat/artificialreefs/finalguidance.html

³ www.marad.dot.gov/Headlines/2007/Vandenberg/MARAD%2003%2007%20Vandenberg.htm

⁴ www.fla-keys.com/news/news.cfm?sid=2052

by the Navy, with Escambia County contributing \$950,000 of the cost and Okaloosa County contributing \$50,000 of the cost. The reefing of the *Oriskany* was the first in this new program by the Navy and MARAD. The Navy is seeking partners to support the cost of preparing other naval vessels for reefing.

Currently, there is not an agreed-upon means of equitable geographic distribution of large military vessels from the Navy and MARAD to competing local coastal governments within the state of Florida. Eight coastal counties have received permits for artificial reef sites that are greater than 150 feet deep, and there are 15 counties with reef sites deeper than 100 feet. The U.S. Coast Guard generally requires that there be 50 feet of clearance over the top of the reef for navigational safety reasons⁵.

The increasing costs associated with the reefing of large military vessels are a significant limiting factor. The *Vandenberg* project is estimated to cost \$5.7 million. Such costs include liability insurance, environmental cleaning, towing, and deployment. Significant assistance from federal, state, and local government funding sources is required for a successful large ship reefing project.

III. Effect of Proposed Changes:

Section 1 amends s. 370.25, F.S., to provide legislative findings for the creation of a statewide matching grant program to secure and place MARAD and U.S. Navy decommissioned vessels in state and federal waters seaward of this state as artificial reefs. The commission is authorized to plan, develop, and administer the state matching grant program. These programs will be implemented subject to appropriations. The stated objectives for these programs are to:

- Assist in reducing the pressures on natural coral reefs and increase opportunities for recreational diving and fishing;
- Provide a mechanism through which local counties and municipalities can apply for, and receive, state matching funds for cleaning, preparing, towing, and placement of the decommissioned vessels;
- Provide state funds that will be matched with local funds, federal funds, and funds from local businesses;
- Establish eligibility criteria for such state matching funds;
- Assist counties and cities with the donation and transfer application for decommissioned vessels to be used as artificial reefs, in accordance with MARAD application evaluation criteria;
- Develop a master plan to maximize the number and type of vessels to be placed in state or federal waters, while ensuring the vessels are in the most geographically effective locations;
- Establish and promote standards for the placement of decommissioned vessels, consistent with the current environmental standards of the National Defense Authorization Act for FY 2004, and the best management practices manual⁶ of the U.S. Environmental Protection Agency (EPA) and MARAD;

⁵ Information provided by the Florida Fish and Wildlife Conservation Commission.

⁶ "National Guidance: Best Management Practices for Preparing Vessels Intended to Create Artificial Reefs." Prepared jointly by the U.S. Environmental Protection Agency (EPA) and MARAD. 2006.

- Work with the agencies responsible for the permitting of artificial reefs and the Florida Department of Environmental Protection (DEP) to allow for a review period consistent with MARAD and the Navy deadlines;
- Establish a United States military vessel component as a seventh theme for Florida's Maritime Heritage Trail⁷; and
- Provide for title of decommissioned vessels to be transferred to the state.

The matching grant program funds may be used to clean, prepare, tow and sink decommissioned vessels.

Section 2 creates s. 370.255, F.S., authorizing the FWC to establish the Florida Ships-2-Reefs Program as a matching grant program. The FWC is authorized to make expenditures and enter into contracts with local governments and nonprofit corporations to secure and place decommissioned vessels as artificial reefs and to perform the environmental preparation and clean necessary for placement of the vessel. Preparation and cleans must meet standards in the EPA and MARAD best management practices manual. The FWC will have final approval of grants awarded through the program and may receive grant submissions, approve requests for funding, and allocate matching funds to applicants.

Each grant awarded under the program must be matched by non-state dollars, and the state match is limited to 33 percent of the total cost for securing and placing the vessel, and for the necessary environmental preparation and cleaning. The local government or nonprofit corporate applicant must submit formal agreements, written pledges, memorandums of understanding, financing arrangements, or other documentation that demonstrates the non-state matching funds are available. Rulemaking authority is provided to the commission to adopt rules to administer the grant program. No matching funds may be released until an applicant can document that all of the criteria established in FWC rules has been met.

By January 1, 2009, and annually thereafter, the FWC shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives detailing the expenditure of appropriated funds under the matching grant program.

Section 3 provides that the act shall take effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill does not require cities and counties to expend funds or limit their authority to raise revenue or receive state-shared revenues as specified by s.18, Art. VII of the State Constitution.

⁷ The Florida Maritime Heritage Trail is a collection of sites and places along the coast that can be visited and that represent Florida's strong ties to the sea over thousands of years. It is made up of six themes: Coastal Communities, Coastal Environments, Coastal Forts, Lighthouses, Historic Ports, and Historic Shipwrecks. The Florida Maritime Heritage Trail was created and is maintained by the Florida Department of State, Division of Historical Resources.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

It is anticipated that the reefing of decommissioned vessels will boost local economies. The reefs provide new opportunities for scuba divers and new opportunities for the fishing industry as marine life settles on the wreck over time. Additionally, the reefs generate many full-time and part-time permanent jobs. Many of these are traditional “working waterfront” jobs, including jobs for captains and crewmembers, dive and tackle shop employees, and marina staff. These economic benefits are realized year-round, especially in the off-season when warm-water diving and snorkeling are popular. The benefits are expected to last indefinitely.

When the *Oriskany* was reefed off the coast of Pensacola, local officials indicated in a letter to the project organizer of the *Vandenberg* that Escambia County recouped its \$1 million investment in 3 days. It is estimated that diving trips to the *Oriskany* are booked 12 to 16 months in advance. Hotels and restaurants are seeing increased business as a result of this new tourist feature.

Key West is expected to experience similar boosts to its economy when the *Vandenberg* is reefed. It is projected to generate between \$56 million and \$168 million in commerce for the local economy in the next 10 years⁸. Multi-county studies done in different parts of the state found that the average benefit-to-cost ratio of building the artificial reefs to the coastal communities in southeast Florida was \$107 to \$1⁹. (In northwest Florida counties, \$131 to \$1.)¹⁰ In the future, any coastal community hosting a decommissioned vessel for reefing could see a tremendous return on their investment.

C. Government Sector Impact:

The bill provides no appropriation for the Ships-2-Reefs matching grant program.

⁸ Solutions for Progress Inc. Philadelphia, PA. <http://www.solfopro.com>.

⁹ Johns, Leeworthy, Bell, and M.A. Bonn. 2003. *Socioeconomic Study of Reefs in Southeast Florida*. Report prepared for Miami-Dade County, Florida by Hazen and Sawyer P.C., Miami, FL. <http://marineeconomics.noaa.gov/Reefs/02-01.pdf>.

¹⁰ Bell, Bonn, and V.R. Leeworthy. 1998. *Economic Impact and Importance of Artificial Reefs in Northwest Florida*. Office of Fisheries Management and Assistance Service, Florida Department of Environmental Administration, Tallahassee, FL. <http://marineeconomics.noaa.gov/Reefs/nwfl.pdf>.

In the agency bill analysis for SB 432, the FWC noted the following:

- The bill will require a significant increase in workload for the existing artificial reef grant program that cannot be conducted within current staffing and budgetary resources.
- An additional position with associated travel expenses is required to oversee additional program requirements in the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

- B. **Amendments:**

None.